

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name WEESAW TOWNSHIP	County BERRIEN
Fiscal Year End MARCH 31, 2006	Opinion Date JULY 28, 2006	Date Audit Report Submitted to State AUGUST 11, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) SCHAFER & LAYHER, PLLC		Telephone Number 269-983-0131	
Street Address 805 VAN BRUNT AVENUE		City ST. JOSEPH	State Zip MI 49085
Authorizing CPA Signature	Printed Name MICHAEL W. LAYHER		License Number 21500

WEESAW TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

March 31, 2006

TOWNSHIP BOARD

Dave Heininger

Supervisor

Mary Ann Wittlieff

Clerk

Jane Tackitt

Treasurer

Kay English

Trustee

Gene Clements

Trustee

OTHER TOWNSHIP SERVICES

Allen Boyd

Township Assessor

Charles Sheldon

Fire Chief

Cliff Rogers

Interim Ambulance Coordinator

Ed Steinke

Electrical Inspector

Paulous Kittleson

Zoning Administration

<u>CONTENTS</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	2- 6
Government-Wide Statement of Net Assets	7
Government-Wide Statement of Activities	8
Governmental Fund Balance Sheet	9
Governmental Fund Statement of Revenues, Expenditures, and Changes In Fund Balance	10
Proprietary Fund Statement of Net Assets	11
Proprietary Fund Statement of Revenues, Expenses and Changes In Net Assets	12
Proprietary Fund Statement of Cash Flows	13
Fiduciary Fund – Statement of Net Assets	14
Notes to the Financial Statements	15 - 27
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – General Fund	28
Budgetary Comparison Schedule – Ambulance Fund	29
Budgetary Comparison Schedule – Special Fire Fund	30
Budgetary Comparison Schedule – Debt Retirement Fund	31
Budgetary Comparison Schedule – Fire Truck Fund	32
OTHER SUPPLEMENTAL INFORMATION	
Combining Balance Sheet—Non-Major Governmental Funds	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Non-Major Governmental Funds	34



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Weesaw Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Weesaw Township, Michigan (the "Township"), as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Weesaw Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Weesaw Township, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Weesaw Township, Michigan has implemented a new financial reporting model, as required by Government Accounting Standards Board No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and pages 28 through 32 are not a required part of the basic financial statements but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Weesaw Township, Michigan basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads 'Schaffer & Layher' in a cursive script.

Schaffer & Layher
July 28, 2006

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as whole and present longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

- The assets of Weesaw Township exceeded its liabilities at the close of the most recent fiscal year by \$2,150,097 (*net assets*). Of this amount \$1,850,694 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,434,414, an increase of \$107,000 in comparison with the prior year. 72% of the total amount is available for spending at the Township's discretion (*unreserved fund balance*.)
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$958,931, or 657 percent of total expenditures.
-

Overview of the Financial Statements

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basic financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of Weesaw Township's Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary, such as ambulance, fire and debt.	Activities the Township operates similar to private businesses: the water and sewer system.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets >Statement of activities.	> Balance Sheet >Statement of revenues, expenditures, and changes in fund balances.	> Statement of net assets >Statement of revenues, expenditures, and changes in fund balances. >Statement of cash flows	> Statement of fiduciary net assets >Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, and public works.
- Business-type activities—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. cemetery) or to show that it is properly using certain taxes and grants (i.e. ambulance, special fire, debt retirement, and fire truck monies).

The Township has the following three kinds of funds:

- *Government Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary Funds*—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis Of The Township As A Whole

The Township's combined net assets were \$2,150,097. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 1,457,368	\$ 424,266	\$ 1,881,634
Capital Assets	285,745	811,385	1,097,130
Total Assets	\$ 1,743,113	\$ 1,235,651	\$ 2,978,764
Long-term debt outstanding	\$ 298,050	\$ 361,086	\$ 659,136
Other liabilities	117,622	51,909	169,531
Total Liabilities	\$ 415,672	\$ 412,995	\$ 828,667
Net Assets			
Invested in capital assets, net of related debt	\$ (106,973)	\$ 406,376	\$ 299,403
Restricted	396,109	-	396,109
Unrestricted	1,434,414	416,280	1,850,694
Total Net Assets	\$ 1,723,550	\$ 822,656	\$ 2,546,206

Financial Analysis Of The Township As A Whole, concluded

The part of net assets that can be used to finance day to day operations has increased \$128,027 for the governmental activities and decreased \$13,016 for the business-type activities. The current level of unrestricted net assets for governmental activities stands at \$1,338,305, or about 180% of fiscal 2006 expenditures. This is well above the targeted range set by many Township Boards of three to six months of operations.

At the end of the current fiscal year, the Township is able to report balances in both categories of net assets, both for the government as a whole, as well as, for its separate governmental and business-type activities.

The following table shows the changes of the net assets as of the current date.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program Revenues			
Charges for services	\$ 38,203	\$ 27,292	\$ 65,495
General Revenues			
Property Taxes	281,890	-	281,890
State Shared Revenues	141,680	-	141,680
Interest and Rentals	31,054	4,621	35,675
Miscellaneous	7,046	-	7,046
Total Revenues	<u>\$ 499,873</u>	<u>\$ 31,913</u>	<u>\$ 531,786</u>
Program Expenses			
General Government	\$ 118,781	\$ -	\$ 118,781
Public Safety	139,915	-	139,915
Public Works	20,681		20,681
Water	-	44,929	44,929
Capital Outlay	70,186	-	70,186
Debt service	22,283	-	22,283
Total Expenses	<u>\$ 371,846</u>	<u>\$ 44,929</u>	<u>\$ 416,775</u>
Change in Net Assets	<u>\$ 128,027</u>	<u>\$ (13,016)</u>	<u>\$ 115,011</u>

The Township's net assets continue to remain healthy. The decrease in net assets is largely due to depreciation in the business-type activities. The Township has decided to not charge current customers for the sewer and water system depreciation.

Governmental Activities

The Township's total governmental revenues and expenses increased largely due to the purchase of two fire trucks that were funded by proceeds from a capital lease in the amount of \$350,931.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Fund. We provide water to the Township residents from lines connected to Lake Township supply and sewage treatment through the GRSD Sewer Authority sewage treatment plant. In 2006, operating revenues decreased by \$3,843 due to a decrease in usage offset slightly by an increase in tap-in fees, with expenses decreasing by \$4,505 largely due to a decrease in legal fees.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for 2006 included the General, Ambulance, Special Fire, Debt Retirement, and Fire Truck funds. The General Fund pays for most of the Township's governmental services, including legislative, public safety, and public works. The most significant is legislative, which incurred expenses of \$55,991 in 2006. The service is supported by general revenue sources of the General Fund.

Major Fund Budgetary Highlights

Over the course of the year, the Township Board amended the general fund budget to take into account events during the year. The change in budget did not adjust total revenues and expenditures, only adjustments to line items. No amendments were done to the other major funds during the fiscal year.

Capital Asset and Debt Administration

At the end of June 30, 2006, the Township had investment in capital assets for its governmental and business-type activities of \$299,403 (net of depreciation and debt). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township chose not to retroactively report any other infrastructure assets, and will only report any additions prospectively in accordance with G.A.S.B. #34.

Long-Term Debt

At the end of the current fiscal year, the Township had debt outstanding of \$797,727. The majority represented a capital lease obligation of \$392,718 for the purchase of a (2) fire trucks in governmental activities and \$405,009 for additional sewer lines in business-type activities.

Economic Factors and Next Year's Budgets and Rates

The Township expects revenue over expenditures in the governmental funds and the business-type activity funds will have positive cash flows.

Comparative Information

The financial report does not show any comparative data because the current year was the first year of adopting G.A.S.B. 34 reporting. Next year the Township expects to present full comparative statements.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,138,733	\$ 254,619	\$ 1,393,352
Investments	280,093	-	280,093
Trade Receivables, net	9,485	8,701	18,186
Special Assessment Receivable, net	-	150,397	150,397
Taxes Receivable	16,696	5,165	21,861
Internal balances	-	41	41
Due From Fiduciary Fund	12,361	5,343	17,704
Capital Assets, Net	285,745	811,385	1,097,130
Total Assets	<u>\$ 1,743,113</u>	<u>\$ 1,235,651</u>	<u>\$ 2,978,764</u>
Liabilities			
Accounts Payable	\$ 549	\$ 7,986	\$ 8,535
Accrued and Other Liabilities	6,130	-	6,130
Internal balances	41	-	41
Due to Fiduciary Fund	16,234	-	16,234
Noncurrent liabilities			
Due Within One Year	94,668	43,923	138,591
Due in More Than One Year	298,050	361,086	659,136
Total Liabilities	<u>\$ 415,672</u>	<u>\$ 412,995</u>	<u>\$ 828,667</u>
Net Assets			
Invested in Capital Assets Net of Related Debt	\$ (106,973)	\$ 406,376	\$ 299,403
Unrestricted	1,434,414	416,280	1,850,694
Total Net Assets	<u>\$ 1,327,441</u>	<u>\$ 822,656</u>	<u>\$ 2,150,097</u>

The accompanying notes are an integral part of these financial statements

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
March 31, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Primary Government		
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government						
<i>Governmental Activities</i>						
General Government	\$ 118,781	\$ 33,837	\$ -	\$ (84,944)		\$ (84,944)
Public Safety	139,915	4,366	-	(135,549)		(135,549)
Public works	20,681	-	-	(20,681)		(20,681)
Depreciation	70,186	-	-	(70,186)		(70,186)
Interest on long-term debt	22,283	-	-	(22,283)		(22,283)
Total Governmental Activities	<u>\$ 371,846</u>	<u>\$ 38,203</u>	<u>\$ -</u>	<u>\$ (333,643)</u>		<u>\$ (333,643)</u>
<i>Business-Type Activities</i>						
Water	\$ 44,929	\$ 27,292	\$ -		\$ (17,637)	\$ (17,637)
Total Business-Type Activities	<u>\$ 44,929</u>	<u>\$ 27,292</u>	<u>\$ -</u>		<u>\$ (17,637)</u>	<u>\$ (17,637)</u>
Total Primary Government	<u>\$ 416,775</u>	<u>\$ 65,495</u>	<u>\$ -</u>	<u>\$ (333,643)</u>	<u>\$ (17,637)</u>	<u>\$ (351,280)</u>
General Revenues						
Property Taxes				\$ 281,890	\$ -	\$ 281,890
State Shared Revenues				141,680	-	141,680
Interest and Rents				31,054	4,621	35,675
Miscellaneous				7,046	-	7,046
Total General Revenues and special items				<u>\$ 461,670</u>	<u>\$ 4,621</u>	<u>\$ 466,291</u>
Change in net assets				\$ 128,027	\$ (13,016)	\$ 115,011
Net Assets-Beginning				1,199,414	835,672	2,035,086
Net Assets-Ending				<u>\$ 1,327,441</u>	<u>\$ 822,656</u>	<u>\$ 2,150,097</u>

The accompanying notes are an integral part of these financial statements

WEESAW TOWNSHIP**GOVERNMENTAL FUND BALANCE SHEET
March 31, 2006**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Special Fire Fund</u>	<u>Debt Retirement Fund</u>	<u>Fire Truck Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Cash and Cash Equivalents	\$ 691,328	\$ 176,589	\$ 129,160	\$ 40,754	\$ 10,034	\$ 90,868	\$ 1,138,733
Investments	280,093	-	-	-	-	-	280,093
Receivables, trade	-	9,485	-	-	-	-	9,485
Taxes receivables	2,863	3,224	3,224	1,742	5,643	-	16,696
Due from other governmental funds	-	-	3,952	-	(3,952)	-	-
Due from Fiduciary Funds	3,658	4,427	3,405	871	-	-	12,361
Total Assets	<u>\$ 977,942</u>	<u>\$ 193,725</u>	<u>\$ 139,741</u>	<u>\$ 43,367</u>	<u>\$ 11,725</u>	<u>\$ 90,868</u>	<u>\$ 1,457,368</u>
Liabilities and Fund Equity							
Liabilities							
Accounts Payable	\$ -	\$ 549	\$ -	\$ -	\$ -	\$ -	\$ 549
Accrued Payroll Liabilities	2,736	2,331	1,063	-	-	-	6,130
Due to proprietary fund	41	-	-	-	-	-	41
Due to fiduciaries	16,234	-	-	-	-	-	16,234
Total Liabilities	<u>\$ 19,011</u>	<u>\$ 2,880</u>	<u>\$ 1,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,954</u>
Fund Balance							
Unreserved:							
Designated	\$ 293,902	\$ 20,805	\$ 30,035	\$ 43,367	\$ 8,000	\$ -	\$ 396,109
Undesignated	665,029	170,040	108,643	-	3,725	90,868	1,038,305
Total Fund Equity	<u>\$ 958,931</u>	<u>\$ 190,845</u>	<u>\$ 138,678</u>	<u>\$ 43,367</u>	<u>\$ 11,725</u>	<u>\$ 90,868</u>	<u>\$ 1,434,414</u>
Total Liabilities and Fund Equity	<u>\$ 977,942</u>	<u>\$ 193,725</u>	<u>\$ 139,741</u>	<u>\$ 43,367</u>	<u>\$ 11,725</u>	<u>\$ 90,868</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

* Capital assets used in governmental activities are not financial resources and are not reported in the funds

* Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Net Assets of Governmental Activities

285,745
(392,718)
\$ 1,327,441

The accompanying notes are an integral part of these financial statements

WEESAW TOWNSHIP

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
March 31, 2006**

	General <u>Fund</u>	Ambulance <u>Fund</u>	Special Fire <u>Fund</u>	Debt Retirement <u>Fund</u>	Fire Truck <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues							
Taxes	\$ 53,624	\$ 57,324	\$ 57,303	\$ 25,261	\$ 88,378	\$ -	\$ 281,890
Licenses and Permits	4,366	-	-	-	-	-	4,366
State Shared Revenues	141,680	-	-	-	-	-	141,680
Charges for Services	3,380	29,792	(85)	-	-	750	33,837
Interest and Rents	24,129	2,783	2,767	506	455	414	31,054
Other Revenues	1,789	5,207	50	-	-	-	7,046
Total Revenues	<u>\$ 228,968</u>	<u>\$ 95,106</u>	<u>\$ 60,035</u>	<u>\$ 25,767</u>	<u>\$ 88,833</u>	<u>\$ 1,164</u>	<u>\$ 499,873</u>
Expenditures							
Current							
General Government	\$ 118,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,781
Public Safety	6,578	70,928	62,409	-	-	-	139,915
Public Works	20,681	-	-	-	-	-	20,681
Capital Outlay	-	-	-	-	350,931	-	350,931
Total Expenditures	<u>\$ 146,040</u>	<u>\$ 70,928</u>	<u>\$ 62,409</u>	<u>\$ -</u>	<u>\$ 350,931</u>	<u>\$ -</u>	<u>\$ 630,308</u>
Excess (Deficit) of Revenues Over(Under) Expenditures	<u>\$ 82,928</u>	<u>\$ 24,178</u>	<u>\$ (2,374)</u>	<u>\$ 25,767</u>	<u>\$ (262,098)</u>	<u>\$ 1,164</u>	<u>\$ (130,435)</u>
Other Financing Sources (Uses)							
Proceeds from borrowings	\$ -	\$ -	\$ -	\$ -	\$ 350,931	\$ -	\$ 350,931
Principal payments	-	-	-	(9,000)	(82,213)	-	(91,213)
Interest and fees	-	-	-	(7,535)	(14,748)	-	(22,283)
Total Other Financing Sources(Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,535)</u>	<u>\$ 253,970</u>	<u>\$ -</u>	<u>\$ 237,435</u>
Excess (Deficit) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 82,928</u>	<u>\$ 24,178</u>	<u>\$ (2,374)</u>	<u>\$ 9,232</u>	<u>\$ (8,128)</u>	<u>\$ 1,164</u>	<u>\$ 107,000</u>
Fund Balance-March 31, 2005	<u>876,003</u>	<u>166,667</u>	<u>141,052</u>	<u>34,135</u>	<u>19,853</u>	<u>89,704</u>	
Fund Balance-March 31, 2006	<u>\$ 958,931</u>	<u>\$ 190,845</u>	<u>\$ 138,678</u>	<u>\$ 43,367</u>	<u>\$ 11,725</u>	<u>\$ 90,868</u>	

Amounts reported for governmental activities in the statement of activities are different because:

- * Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.
- * Proceeds from borrowings are revenues in government funds, but not in statement of activities
- * Repayments of bond and note principal is and expenditure in the government funds, but not in the statement of activities (where it reduces long-term debt).

Change in Net Assets of Governmental Activities

280,745

(350,931)

91,213

\$ 128,027

The accompanying notes are an integral part of these financial statements

PROPRIETARY FUND STATEMENT OF NET ASSETS
March 31, 2006

	<u>Enterprise Fund</u> <u>Water & sewer</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 254,619
Receivables, net	8,701
Special assessment receivable, current portion	19,579
Taxes receivables	5,165
Due from governmental funds	41
Due from fiduciary fund	5,343
Total Current Assets	<u>\$ 293,448</u>
Noncurrent Assets	
Capital Assets, net	\$ 811,385
Special assessment receivable, noncurrent portion	130,818
Total Noncurrent Assets	<u>\$ 942,203</u>
Total Assets	<u>\$ 1,235,651</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 7,986
Notes payable, current	43,923
Total Current Liabilities	<u>\$ 51,909</u>
Long-term liabilities:	
Notes payable, less current portion	361,086
Total Long-term Liabilities	<u>\$ 412,995</u>
Net Assets	
Invested in Capital Assets Net of Related Debt	\$ 406,376
Unrestricted	416,280
Total Net Assets	<u>\$ 822,656</u>

The accompanying notes are an integral part of these financial statements

**PROPRIETARY FUND STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
March 31, 2006**

	Enterprise Fund <u>Water & sewer</u>
Operating Revenues	
Monthly sewer fees	\$ 27,292
Connection fees	-
Water fees	-
Total Operating Revenues	<u>\$ 27,292</u>
Operating Expenses	
Waste removal costs	\$ 3,295
Electric	761
Office Expense	725
Repairs and Maintenance	1,918
Insurance	402
Depreciation	20,098
Total Operating Expenses	<u>\$ 27,199</u>
Operating Income	<u>\$ 93</u>
Nonoperating Revenues(Expenses)	
Interest income	\$ 4,621
Interest expense	(17,730)
Total Nonoperating Revenues(Expenses)	<u>\$ (13,109)</u>
Change in Net Assets	\$ (13,016)
Total Net Assets-Beginning of Year	<u>835,672</u>
Total Nets Assets-End of Year	<u><u>\$ 822,656</u></u>

The accompanying notes are an integral part of these financial statements

PROPRIETARY FUND STATEMENT OF CASH FLOWS
March 31, 2006

	Proprietary Funds
Cash Flows From Operating Activities	
Receipts from Customers	\$ 53,164
Payments to Suppliers	(7,102)
Net Cash Provided by Operating Activities	<u>\$ 46,062</u>
Cash Flows From Noncapital Financing Activities	
Transfers in	<u>\$ -</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of Capital Assets	\$ (38,736)
Interest paid on Capital Debt	(17,730)
Principal paid on Capital Debt	(29,789)
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>\$ (86,255)</u>
Cash Flow From Investing Activities	
Interest and Dividends	<u>\$ 4,621</u>
Net Decrease in Cash and Cash Equivalents	\$ (35,572)
Cash and Cash Equivalents-Beginning of Year	<u>290,191</u>
Cash and Cash Equivalents-End of Year	<u><u>\$ 254,619</u></u>
Reconciliation of Operating Loss to Net Cash Provided Used by Operating Activities	
Operating Loss	\$ (779)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	20,098
Change in Assets and Liabilities	
Receivables, net	2,329
Due from other governments	(10,508)
Accounts Payable	7,980
Due to other governments	871
Special assessment receivable	26,071
Net Cash Provided by Operating Activities	<u><u>\$ 46,062</u></u>

The accompanying notes are an integral part of these financial statements

FIDUCIARY FUND-STATEMENT OF NET ASSETS**March 31, 2006**

Agency Funds

Property Tax

Fund**Assets**

Cash and cash equivalents	\$	1,470
Due from governmental funds		16,234
Total Assets	\$	17,704

Liabilities

Due to governmental funds	\$	12,361
Due to proprietary funds		5,343
Total Liabilities	\$	17,704

The accompanying notes are an integral part of these financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Weesaw Township (the "Township") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member council ("Board"). The accompanying financial statements present the government and its component units, entities for which the Township is considered to be financially accountable. These criteria, established under GASB #39, include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is legally separate entity from the Township, but is so intertwined with the unit that it is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2006.

Discretely Presented Component Units—A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete. There were no such units at March 31, 2006.

Jointly Governed Organizations—The Township did not have any such involvement at March 31, 2006.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, concluded**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Ambulance Fund is the Township's public safety fund whose financial resources are specifically set aside for ambulance services.

The Special Fire Fund is the Township's public safety fund whose financial resources are specifically set aside for fire services.

The Debt Retirement Fund is the Township's debt service fund whose financial resources are specifically set aside for principal and interest payments on the Township's debt.

The Fire Truck Fund is the Township's fund whose financial resources are specifically set aside for the purchase of fire trucks.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, state revenue and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue included: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sewer services. the water and sewer fund also recognizes the portion of tap fees intended to recover current costs (i.e. labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, concluded**Property Taxes**

The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15th of the succeeding year. The Township's 2005 ad valorem tax is levied and collectible on December 1, 2005 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used and pay liabilities of the current period (60 days.)

The 2005 taxable valuation of the Township totaled approximately \$57,375,775 million, on which ad valorem taxes levied which consisted of .865 mills for Township's operating purposes; 1.30 mills for ambulance services; 1.00 mills for special fire services; and 1.75 mills for fire truck purchases.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments — Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables — In general, outstanding balances between funds are reported as "due to/from other funds". Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "operating transfers to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Prepaid Items — certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the fund financial statements.

Capital Assets — Capital assets, which include land, buildings, equipment, and vehicles, are reported in the Government-wide and business-type activities. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Assets, Liabilities, and Net Assets or Equity, continued**

Buildings, equipment, and water and sewer lines of the Government-wide and business-type activities are depreciated using the straight-line method over the following useful lives:

Water and sewer lines	40-50 years
Building Improvements	15-30 years
Buildings	20-50 years
Land Improvements	10-20 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-7 years

Compensated Absences — The Township does not compensate employees for any absences (i.e. there are no vacation or sick days). As a result, there is not liability with regards to vacation or sick days.

Long-Term Obligations — In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance — In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Township's designated funds consist of the following:

Budget Deficits for fiscal 2007:

General Fund	\$293,902	Ambulance Fund	\$20,805
Special Fire Fund	\$30,035	Fire Truck Fund	\$8,000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**D. Assets, Liabilities, and Net Assets or Equity, concluded**

Extraordinary and Special Items — Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Township and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year ended March 31, 2006.

Comparative Data — Comparative data is not included in the government's financial statements.

Estimates — The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

E. Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* ("GASB 34"). Changes to the Township's financial statements as a result of GASB 34 reflect the following:

A Management's Discussion and Analysis ("MD&A") section providing analysis of the Township's overall financial position and results of operations has been included and a Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township Government's activities have been provided.

The following table summarizes the differences between fund balance as reported in the prior year financial statements and the beginning net assets as reported in the Statement of Activities:

Governmental Fund Balances as previously reported	\$ 1,327,414
Capital assets	5,000
Bonds Payable	(133,000)
Governmental Net Assets as restated	<u>\$ 1,199,414</u>

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information — Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund, function. The legal level of budgetary control adopted by the government board (i.e. level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of the amounts budgeted is a violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There was one amendment during the fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year. There were no encumbrances at year-end.

Excess of Expenditures Over Appropriations in Budgeted Funds — The Township did not have significant expenditure budget variances.

Fund Deficits—The Township has no accumulated fund balance/net assets deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	\$ 1,138,733	\$ 254,619	\$ 1,470	\$ 1,394,822
Investments (CD's>90days)	280,093	-	-	280,093
	<u>\$ 1,418,826</u>	<u>\$ 254,619</u>	<u>\$ 1,470</u>	<u>\$ 1,674,915</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking and savings accounts)	\$ 1,394,822
Certificate of deposits	280,093
Petty cash and cash on hand	-
	<u>\$ 1,674,915</u>

Custodial Credit Risk-Deposits:

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006 \$1,605,365 of the Township's bank balance of \$1,805,365 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC of FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds.

The Township has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

	Investment Maturities				
	<u>Fair Value</u>	<u>Current Value</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10</u>
Certificate of Deposits	<u>\$ 280,093</u>	<u>\$ 280,093</u>	<u>\$ 280,093</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk:

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**Credit Risk:**

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township had no such investments.

Concentration of Credit Risk:

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2006, the Township had no such investments.

Custodial Credit Risk-Investments:

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2006, the Township had no such investments.

Foreign Currency Risk:

The Township is not authorized to invest in investments which have this type of risk.

NOTE 4. INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of inter-fund receivables, payables and transfer, none of which are unusual or inconsistent for the fund, for the year ended March 31, 2006 are as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
Proprietary Fund	General Fund	\$ 41
Fiduciary Fund	General Fund	16,234
Debt Retirement	Fiduciary Fund	871
General Fund	Fiduciary Fund	3,658
Ambulance Fund	Fiduciary Fund	4,427
Proprietary Fund	Fiduciary Fund	5,343
Special Fire Fund	Fiduciary Fund	3,405
Special Fire Fund	Fire Fund	3,952
		<u>\$ 37,931</u>

NOTE 4. INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS, CONCLUDED

The majority of inter-fund receivables and payables relate to the collection of property taxes within the fiduciary fund on behalf of the Township and need to be remitted to the respective government fund.

Interfund Transfers

Transfer In:	Transfer Out:	Amount
<i>No fiscal year transfers.</i>		\$ -

NOTE 5. RECEIVABLES AND PAYABLES

Receivables as of year-end for the Township's individual major funds, non-major funds, proprietary funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	Governmental Activities	Business Type Activities	Total	Due Within One Year
Receivables:				
Special Assessment	\$ -	\$ 150,397	\$ 150,397	\$ 19,579
Taxes	16,696	5,165	21,861	21,861
Trade	9,485	8,701	18,186	18,186
	<u>\$ 26,181</u>	<u>\$ 164,263</u>	<u>\$ 190,444</u>	<u>\$ 59,626</u>

Payables as of year-end for the Township's governmental and business-type activities represent normal trade payables and payroll withholdings as follows:

	Governmental Activities	Business Type Activities	Total	Due Within One Year
Payables:				
Trade	\$ 549	\$ 7,986	\$ 8,535	\$ 8,535
Payroll liabilities	6,130	-	6,130	6,130
	<u>\$ 6,679</u>	<u>\$ 7,986</u>	<u>\$ 14,665</u>	<u>\$ 14,665</u>

NOTE 6. CONTINGENCIES

The Township was a potentially responsible party and under consent order with the State of Michigan Department of Environmental Quality concerning the Township's sewage capacity. The Township was required to pay environmental remediation costs relating to the order amounting to approximately \$18,000 during the current fiscal year.

NOTE 7. LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	Interest	Principal	Beginning	Net	Ending	Due Within
	Rate	Matures	Balance	Additions (Reductions)	Balance	One Year
<i>Governmental Activities:</i>						
Baldwin/Sewer Road Sewer Bond	5.6% to 6.5%	2/1/2017	\$ 133,000	\$ (9,000)	\$ 124,000	\$ 9,000
Capital Lease Obligation	4.124%	4/8/2009	-	268,718	268,718	85,668
Total bonds and notes payable			\$ 133,000	\$ 259,718	\$ 392,718	\$ 94,668
<i>Business Type Activities:</i>						
MI Strategic CDBG Program Note	5%	7/1/2013	\$ 434,798	\$ (29,789)	\$ 405,009	\$ 43,923
Total bonds and notes payable			\$ 434,798	\$ (29,789)	\$ 405,009	\$ 43,923
Total Long-term debt and other			\$ 567,798	\$ 229,929	\$ 797,727	\$ 138,591

Annual debt service requirements to maturity for the above long-term debt are as follows:

Year Ended	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
March 31,	Principal	Interest	Principal	Interest
2007	94,668	17,970	43,923	19,435
2008	99,268	13,911	46,161	17,198
2009	103,782	9,644	48,513	14,846
2010	11,000	5,183	50,984	12,375
2011	11,000	4,605	53,582	9,777
2012-2017	73,000	15,006	161,846	12,194
Total	\$ 392,718	\$ 66,319	\$ 405,009	\$ 85,825

March 31, 2006

Interest expense of \$22,283 was charged to the governmental activities and \$17,730 of interest expense was charged to operations for the business type activities fund.

NOTE 8. POST EMPLOYMENT BENEFITS

The Township does not provide post employment benefits for any of its employees.

NOTE 9. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Township obtains general liability insurance to cover those risks at a cost it considers to be economically justifiable.

The Township also carries commercial insurance for all other risks of loss, including workers' compensation, employee health and accident insurance, and errors and omissions. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage.

NOTE 10. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES

The Township charges fees for the inspection of electrical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to Public Act 245 of 1999, the following schedule shows the breakdown of the related revenues and expenditures:

	For the Year Ended 3/31/2006
Revenues	\$ 4,366
Expenditures	(4,366)
Revenues over Expenditures	<u>\$ -</u>

NOTE 11. OPERATING LEASES

The Township did not have any operating leases during the year.

NOTE 12. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated				
Buildings and building improvements	\$ 20,000	\$ -	\$ -	\$ 20,000
Vehicles	239,622	350,931	-	590,553
Subtotal	\$ 259,622	\$ 350,931	\$ -	\$ 610,553
Less: Accumulated Depreciation	(259,622)	(70,186)	-	(329,808)
Net Capital Assets Being Depreciated	\$ -	\$ 280,745	\$ -	\$ 280,745
Governmental activities capital total				
capital assets-net of depreciation	<u>\$ 5,000</u>	<u>\$ 280,745</u>	<u>\$ -</u>	<u>\$ 285,745</u>

Depreciation of \$70,186 was unallocated, as the assets were used by various functions.

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities</i>				
Capital assets not being depreciated				
Construction in progress	\$ 38,736	\$ -	\$ -	\$ 38,736
Capital assets being depreciated				
Water and sewer lines	\$ 893,236	\$ -	\$ -	\$ 893,236
Less: Accumulated Depreciation	(100,489)	(20,098)	-	(120,587)
Net capital assets being depreciated	\$ 792,747			\$ 772,649
Business-Type Activities total				
capital assets-net of depreciation	<u>\$ 831,483</u>			<u>\$ 811,385</u>

Depreciation for the year was \$20,098 and booked as an operating expense.

REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual
Revenues			
Property taxes	\$ 49,738	\$ 49,738	\$ 53,624
Licenses and permits	3,100	6,100	4,366
State shared revenues	144,611	144,611	141,680
Charges for services	3,250	3,250	3,380
Interest and rents	4,800	4,800	24,129
Other revenues	1,375	6,925	1,789
Total Revenues	\$ 206,874	\$ 215,424	\$ 228,968
Expenditures			
Current:			
General government:			
Legislative	\$ 92,435	\$ 92,435	\$ 55,991
Supervisor's office	11,300	11,300	9,581
Treasurer's office	22,000	22,000	21,538
Elections	6,250	6,250	1,122
Assessor	7,850	7,850	6,622
Clerk's office	14,400	14,400	10,324
Cemetery	17,100	17,100	13,603
Public safety			
Board of review	2,250	2,250	687
Zoning administrator	23,800	23,800	4,012
Zoning board and appeals	15,520	15,520	1,879
Public works			
Roads	10,000	10,000	9,143
Parks maintenance and improvements	2,500	2,500	610
Highway lighting	5,000	5,400	4,914
Water/refuse collection	1,250	1,250	595
Drains	16,000	16,000	5,419
Capital outlay	100,000	100,000	-
Total Expenditures	\$ 347,655	\$ 348,055	\$ 146,040
Excess (Deficiency) of Revenues over(under) Expenditures	\$ (140,781)	\$ (132,631)	\$ 82,928
Fund Balances - Beginning of year	876,003	876,003	876,003
Fund Balances - End of year	\$ 735,222	\$ 743,372	\$ 958,931

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE — AMBULANCE FUND
MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual
Revenues			
Property taxes	\$ 74,020	\$ 74,020	\$ 57,324
Charges for services	5,000	5,000	29,792
Interest and rents	375	375	2,783
Miscellaneous	-	-	5,207
Total Revenues	<u>\$ 79,395</u>	<u>\$ 79,395</u>	<u>\$ 95,106</u>
Expenditures			
Current:			
Public safety			
Ambulance	\$ 79,610	\$ 79,610	\$ 70,928
Capital outlay	-	-	-
Total Expenditures	<u>\$ 79,610</u>	<u>\$ 79,610</u>	<u>\$ 70,928</u>
Excess (Deficit) over (under) expenditures	\$ (215)	\$ (215)	\$ 24,178
Fund Balances - Beginning of year	<u>166,667</u>	<u>166,667</u>	<u>166,667</u>
Fund Balances - End of year	<u><u>\$ 166,452</u></u>	<u><u>\$ 166,452</u></u>	<u><u>\$ 190,845</u></u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE — SPECIAL FIRE FUND
MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual
Revenues			
Property taxes	\$ 56,942	\$ 56,942	\$ 57,303
Charges for services	5,000	5,000	(85)
Interest and rents	1,000	1,000	2,767
Miscellaneous	-	-	50
Total Revenues	<u>\$ 62,942</u>	<u>\$ 62,942</u>	<u>\$ 60,035</u>
Expenditures			
Current:			
Public Safety	\$ 90,218	\$ 90,218	\$ 62,409
Total Expenditures	<u>\$ 90,218</u>	<u>\$ 90,218</u>	<u>\$ 62,409</u>
Deficit of Revenues under Expenditures	\$ (27,276)	\$ (27,276)	\$ (2,374)
Fund Balances - Beginning of year	<u>141,052</u>	<u>141,052</u>	<u>141,052</u>
Fund Balances - End of year	<u><u>\$ 113,776</u></u>	<u><u>\$ 113,776</u></u>	<u><u>\$ 138,678</u></u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE — DEBT RETIREMENT FUND
MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual
Revenues			
Property taxes	\$ 20,000	\$ 20,000	\$ 25,261
Interest and rents	250	250	506
Total Revenues	<u>\$ 20,250</u>	<u>\$ 20,250</u>	<u>\$ 25,767</u>
Expenditures			
Principal retirements	\$ 10,000	\$ 10,000	\$ 9,000
Interest and fiscal charges	5,000	5,000	7,535
Total Expenditures	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 16,535</u>
Excess of Revenues over Expenditures	\$ 5,250	\$ 5,250	\$ 9,232
Fund Balances - Beginning of year	<u>34,135</u>	<u>34,135</u>	<u>34,135</u>
Fund Balances - End of year	<u><u>\$ 39,385</u></u>	<u><u>\$ 39,385</u></u>	<u><u>\$ 43,367</u></u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE — FIRE TRUCK FUND
MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual
Revenues			
Property taxes	\$ 99,351	\$ 99,351	\$ 88,378
Interest and rents	-	-	455
Total Revenues	<u>\$ 99,351</u>	<u>\$ 99,351</u>	<u>\$ 88,833</u>
Expenditures			
Current:			
Public safety			
Fire	\$ -	\$ -	\$ -
Capital outlay	-	-	350,931
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,931</u>
Deficit of revenues under expenditures	<u>\$ 99,351</u>	<u>\$ 99,351</u>	<u>\$ (262,098)</u>
Other Financing Sources(Uses)			
Proceeds from borrowings	\$ -	\$ -	\$ 350,931
Principal and interest payments	-	-	(96,961)
Total Other Financing Sources(Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,970</u>
Excess(Deficit) of revenues over(under) expenditures and other financing sources(uses)	\$ 99,351	\$ 99,351	\$ (8,128)
Fund Balances - Beginning of year	19,853	19,853	19,853
Fund Balances - End of year	<u>\$ 119,204</u>	<u>\$ 119,204</u>	<u>\$ 11,725</u>

OTHER SUPPLEMENTAL INFORMATION

WEESAW TOWNSHIP**COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2006**

	Cemetery <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 90,868	\$ 90,868
Total Assets	<u>\$ 90,868</u>	<u>\$ 90,868</u>
Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balance		
Unreserved:		
Designated	\$ -	\$ -
Undesignated	90,868	90,868
Total Fund Equity	<u>\$ 90,868</u>	<u>\$ 90,868</u>
Total Liabilities and Fund Equity	<u>\$ 90,868</u>	<u>\$ 90,868</u>

WEESAW TOWNSHIP**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2006**

	Cemetery <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
Revenues		
Charges for Services	\$ 750	\$ 750
Interest and Rentals	414	414
Total Revenues	<u>\$ 1,164</u>	<u>\$ 1,164</u>
Expenditures		
Capital outlay	\$ -	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues Over Expenditures	\$ 1,164	\$ 1,164
Fund Balance-March 31, 2005	89,704	89,704
Fund Balance-March 31, 2006	<u><u>\$ 90,868</u></u>	<u><u>\$ 90,868</u></u>



July 28, 2006

Weesaw Township Board
New Troy, MI

In planning and performing our audit of the financial statements of **Weesaw Township (the "Township")** for the year ended March 31, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

The accompanying comments and recommendations are intended solely for the information and use of the audit committee, management, and others within the Township and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in cursive script that reads 'Schaffer & Layher'.

Schaffer & Layher
St. Joseph, MI

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Comments and Recommendations

Segregation of Duties

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remain involved in the financial affairs of the Township to provide oversight and independent review functions, and continue to look at ways to enhance controls with the existing staff.

Continue to Evaluate and Safeguard Township Expenditures

Fiduciary responsibilities are critical for every Township board member, and in fact, are among an elected official's most important duties. Both individually and collectively, board members have responsibility for the Township's finances and for protecting the Township's assets. We did not identify expenditures that would be illegal for the Township, but would like to keep the Township board informed of their duty and to question all expenditures and ensure they meet all guidelines. We have attached an article for all members to review titled "Determining the Legality of Township Expenditures".

Delinquent Distribution of Tax Collection (MCL 211.43)

During our review of tax collections and disbursements, we noted the Treasurer was delinquent, per statute, in distributing tax revenues collected for another taxing unit. The Township has a fiduciary responsibility to those units to make timely remittances of the monies collected on their behalf and should look to establish procedures that enable the tax revenues collected be paid to the taxing units with the established guidelines.

In addition, interest earned in the tax collection fund belongs proportionately to the units to which the tax collections are distributed, and the Treasurer should calculate and distribute the interest to the respective taxing units as well. See 1988 Attorney General Opinion 6489. (See attached bulletin.)

Reconcile Bank Accounts on a Timely Basis

Bank statements, in some instances were accumulated by the previous Township Clerk for several months before they were reconciled to the appropriate general ledger controls. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind. We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements by the appropriate Township official. As the Township uses a computerized accounting system and only one set of ledgers is prepared, another Township official should independently review and approve the reconciliation after it has been completed.

Use an Outside Payroll Processing Service

During the course of our testing of the payroll accounts and reports, we noted the Township Clerk was delinquent in submitting payroll deposits and there were errors in the actual returns themselves. Payroll processing, including the proper filing of forms, can be a very complex process even for the highly trained individual, and the Township can have individuals with no formal training doing this process.

We believe the Township should consider engaging the services of an outside payroll processing company, such as ADP, to process the Township's payroll. For a relatively small fee, an outside payroll processor could prepare the necessary payroll reports, print paychecks or pay advices, withhold and file all payroll taxes, and prepare and file the required payroll tax returns for the appropriate states. In addition, by using an outside payroll processor, the Township will have another party responsible for the filings and payments and improve internal controls over payroll. Companies of comparable size, generally find that the benefits of using an outside processor exceed its generally modest cost.